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**Statement of Chairman Joel Hefley  
Subcommittee on Military Installations and Facilities**

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**Subcommittee Hearing on  
the Implementation of the Military Housing Privatization Initiative  
and the Privatization of Military Utility Systems  
and Proposed Amendments to the Military Leasing Act**

This morning, the Subcommittee on Military Installations and Facilities meets to conduct an oversight hearing on the implementation by the Department of Defense of a number of critical privatization efforts in the area of military family housing and military utility infrastructure. In addition, the subcommittee will consider the changes proposed by the Administration to the Military Leasing Act. In general, I have lumped all of these items under the broad category of asset management because what is at issue is how to best utilize the existing real estate and infrastructure assets of DOD and the military departments to provide better facilities to support the military mission and enhance the quality of life for military personnel and their families.

This subcommittee has been very supportive in recent years of initiatives to bring private sector capital and better business practices to bear, where appropriate, on improving the condition of military infrastructure. However, no initiative can substitute for the continued attention of the Department of Defense to fund adequately the military construction and military family housing accounts as well as funding real property maintenance beyond the level required for bare sustainment. I continue to believe that the Department has not provided adequate funding – either in the current budget request or over the course of the current Future Years Defense Program – to begin to address the real requirement to modernize and recapitalize military infrastructure.

There is often a lot of talk about best business practices from DOD when it comes to new authorities to privatize or to outsource certain commercial functions. However, it is never a best business practice to fail to invest in basic maintenance or new facilities when they are required. No successful business would operate that way; yet, the Department of Defense continues to do so. At some point, the Department must recognize that privatization alone cannot solve all of its infrastructure and support problems. There are, unfortunately, no substitutes for basic investment.

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Having said that, I continue to believe we should innovate where possible, keeping in mind the inherent military mission of our installations and the unique support systems upon which military personnel and their families depend. For those reasons, the subcommittee previously opposed the insertion of broad-based commercial and retail development as a component of projects under the Military Housing Privatization Initiative in order to ensure the continued viability of the resale system that supports critical Morale, Welfare, and Recreation programs. Additionally, the subcommittee insisted that the privatization of military utility infrastructure take into account unique security requirements and that systems supporting sensitive activities be exempt from the privatization effort.

As the military services begin the process of implementing new pilot projects to enhance the value of military real estate assets at Ford Island, Hawaii, and at Brooks Air Force Base in Texas, I continue to believe that it is critically important that Congress exercise oversight of leasing activities and have visibility over financial flows, particularly on expenditures the services may make from any revenue which is generated by these new activities. In a broader expansion of permissible military leasing activity, I believe we must be careful not to encourage activities inconsistent with the military mission of the installation. Within that framework, however, I believe we can find a way to expand management flexibility for the military services that will enhance installations management and improve the quality of military facilities.

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